IN THE

# Supreme Court of the United States

OCTOBER TERM, 1948

No. 478

ROSCOE A. COFFMAN,
*Petitioner,*

*v.*

FEDERAL LABORATORIES, INC.,
*Respondent,*

UNITED STATES OF AMERICA,
*Intervenor.*

## PETITION FOR WRIT OF CERTIORARI AND BRIEF IN SUPPORT THEREOF

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## Petition for a Writ of Certiorari to the Court of Appeals for the Third Circuit

*To the Honorable the Chief Justice and the Associate Justices of the Supreme Court of the United States:*

The petitioner, Roscoe A. Coffman, by his attorneys, respectfully prays that a writ of certiorari issue to review a judgment of the Court of Appeals for the Third Circuit entered on November 9, 1948, at No. 9545, affirming a judgment of the District Court for the Western District of Pennsylvania entered on October 10, 1947 in favor of the defendant.

This judgment denied plaintiff the right to recover royalties from his Licensee under a contract made in 1932 earned on plaintiff's inventions (a) before the Royalty Adjustment Act of 1942 was passed; (b) between the date of the passage of the Act and the issuance of Royalty Adjustment Notices; (c) in the period between the issuance of the Royalty Adjustment Notices and Royalty Adjustment Orders; and, finally, (d) after the Royalty Adjustment Orders were issued, on the ground that the Royalty Adjustment Act was constitutional under which plaintiff's royalties were taken by the United States, without, it is alleged, giving him just compensation therefor and without due process, in violation of the 5th Amendment.

## Opinions Below

The findings of fact (except for Finding 14), conclusions of law and opinion of the District Court for the Western District of Pennsylvania are reported at 73 F. Supp. 409 and are printed in the record (R. 110a-121a*), where the unreported Finding 14 is also printed (R. 121a-122a). The opinion of the Court of Appeals for the Third Circuit is reported at—— F.(2d) —— and is printed in the record.

## Jurisdiction

The jurisdiction of your Honorable Court is invoked under the Judicial Code, Title 28, United States Code §347, now See. 1254 (1).

* Unless otherwise noted, all record references are to the pages of the appendix for appellant in the Court of Appeals.

## Statute Involved

The statute involved is the Royalty Adjustment Act of October 31, 1942, 56 Stat. 1013, 35 U. S. C. §§89-96. The full text of the Act is printed in the record (R. 130a-134a).

Section 1 of the Royalty Adjustment Act provides that "whenever an invention, whether patented or unpatented, shall be manufactured, used, sold, or otherwise disposed of for the United States, with license from the owner thereof or anyone having the right to grant licenses thereunder," the amounts of royalties payable to the licensor shall by order be fixed at such a figure as shall be determined by a government officer to be "fair and just, taking into account the conditions of wartime production." It further provides that the licensor of the invention "shall not have any remedy by way of suit, set-off, or other legal action against the licensee for the payment of any additional royalty remaining unpaid, or damages for breach of contract or otherwise." The licensee, who is thus relieved of liability under the license contract, is directed thereafter to charge to the United States no greater royalty than that which is allowed by the order, and Section 4 specifically adds that any reduction in royalties effected by order "shall inure to the benefit of the government by way of a corresponding reduction in the contract price * * * or by way of refund if already paid to the licensee."

Section 2 of the Act provides:

> "Any licensor aggrieved by any order issued pursuant to section 1 hereof, fixing and specifying the maximum rates or amounts of royalties under a license issued by him, may institute suit against the United States in the Court of Claims, or in the District Courts of the United States insofar as such

courts may have concurrent jurisdiction with the Court of Claims, to recover such sum, if any, as, when added to the royalties fixed and specified in such order, shall constitute fair and just compensation to the licensor for the manufacture, use, sale, or other disposition of the licensed invention for the United States, taking into account the conditions of wartime production. In any such suit the United States may avail itself of any and all defenses, general or special, that might be pleaded by a defendant in an action for infringement as set forth in title sixth of the Revised Statutes, or otherwise."

Section 7 of the Act provides in part:

"This Act shall apply to all royalties directly or indirectly charged or chargeable to the United States for any supplies, equipment, or materials to be delivered to or for the Government from and after the effective date of the notice provided for in section 1 hereof. This Act shall also apply to all royalties charged or chargeable directly or indirectly to the United States for supplies, equipment, or materials already delivered to or for the Government which royalties have not been paid to the licensor prior to the effective date of the notice provided for in section 1 hereof."

## Statement

The petitioner is the inventor and patentee of the Coffman Starter, used for starting internal combustion engines, and of cartridges or shells to be used in such starters. On December 8, 1932, he entered into an agreement with the respondent, Federal Laboratories, Inc., granting it a non-assignable and exclusive license to make, use and sell devices and shells embodying the inventions set forth in his patents, respondent agreeing to pay him the sum of $5,000 on the first 200 devices made and a license fee or

royalty equal to 6% of respondent's net selling price on all devices, parts thereof and shells sold (R. 24a-34a).

The petitioner, on June 14, 1944, filed a complaint in the District Court for the Western District of Pennsylvania to recover royalties accrued and owing to him under the license agreement for each year from 1937 through December 31, 1943 (R. 12a-45a). On April 24, 1945, plaintiff filed a second complaint based on royalties accrued and unpaid during the period from January 1, 1943, through December 31, 1944 (R. 78a-81a). When the two actions came on for trial they were consolidated by order of the trial judge (R. 6a, 9a, 108a).

Before either of these cases was started plaintiff filed in the District Court of the United States, for the District of New Jersey, a suit against Breeze Corporations, Inc. (which had bought all of the stock of plaintiff's licensee, Federal Laboratories, Inc.), for an injunction to restrain it from paying any of plaintiff's royalties to the United States on the ground that the Royalty Adjustment Act was unconstitutional. The United States intervened and contended that there was no justiciable controversy as to the constitutionality of the Royalty Adjustment Act. A three-judge court held that plaintiff had an adequate remedy at law to sue his licensee for a money judgment for royalties, in which action the constitutionality of the Royalty Adjustment Act would be properly raised, and it denied plaintiff an injunction. This court affirmed the judgment of the three-judge court, and in an opinion by Chief Justice Stone (323 U. S. 316, 324) said:

> "In the circumstances disclosed by the record and for the purposes of the present suit, the constitutionality of the Act is without legal significance and can involve no justiciable question unless and until

> appellant seeks recovery of the royalties, and then only if appellee relies on the Act as a defense."

In its answer filed in the court below the defendant interposed as a defense the Royalty Adjustment Act and, more specifically, Royalty Adjustment Orders W-9 (R. 35a) and N-7 (R. 40a), issued by the War Department and Navy Department respectively pursuant to that Act. These Orders directed the respondent to pay no more than $8 per starter on starters manufactured for the United States and no royalties whatever on cartridges manufactured for the United States, "but not to exceed the sum of Fifty Thousand ($50,000) Dollars to be paid to Licensor in each calendar year commencing January 1, 1943 in respect of starters sold to or for the War Department and the Navy Department, added together" (R. 36a-37a, 41a-42a).

The respondent also disputed parts of the amounts due on other grounds not involving the Act or Orders or the validity of the patents. These non-constitutional defenses, however, went to a portion of the claim only, and the District Court below found as a fact that (R. 121a-122a)

> "If the Royalty Adjustment Act had not been passed, there would presently be due and owing to the plaintiff from the defendant, under the contract between the parties, royalties on starters which accrued during each of the following periods: the period from January 1, 1937, through October 30, 1942, the day previous to the day of enactment of the Royalty Adjustment Act; the period from the date of enactment of said Act through December 31, 1942; as to Navy business, the period from January 1, 1943, through February 23, 1943, the day previous to the date of receipt by plaintiff of the Navy Department

Royalty Adjustment Notice; as to Army business, the period from January 1, 1943, through March 2, 1943, the day previous to the date of receipt by plaintiff of the War Department Royalty Adjustment Notice; as to Navy business, the period from the date of receipt of the aforesaid Navy Department Notice through December 22, 1943, the day previous to the date of issuance of Navy Royalty Adjustment Order N-7; as to Army business, the period from the date of receipt of the aforesaid War Department Notice through December 17, 1947, the day previous to the issuance of War Department Royalty Adjustment Order W-9; as to Navy business, the period from the date of issuance of the aforesaid Navy Department Order N-7 through December 31, 1943; as to Army business, the period from the date of issuance of the aforesaid War Department Order W-9 through December 31, 1943; and the period from January 1, 1944, through December 31, 1944. Assuming the defendant's contention to be valid, that a commission of 25% was payable to Breeze Corporations, more than $8 per starter would nevertheless be due to plaintiff under the terms of the license agreement between plaintiff and defendant, except for the interposition of the Royalty Adjustment Act and the Orders made thereunder. As to this amount in excess of $8 per starter, which plaintiff claims for each of the above detailed periods, no defense has been interposed in this case except that which is based upon the Royalty Adjustment Act and Royalty Adjustment Orders N-7 and W-9."

As a result, the District Court found itself unable, by any disposition which it might make of the non-constitutional questions, to avoid the necessity for passing upon the constitutionality of the Royalty Adjustment Act and the Orders made thereunder. With one exception, hereafter to be noted, this inevitability of the constitu-

tional question occurred in the application of the Royalty Adjustment Act to royalties accrued (1) before the date of passage of the Act; (2) to royalties accrued between that date and the dates of Royalty Adjustment Notices issued pursuant to the Act; (3) to royalties accrued after the dates of the notices but before the dates of the Royalty Adjustment Orders, and (4) to royalties accrued after dates of the Orders.

The exception just referred to involved royalties due before January 1, 1943, being some of the royalties accrued before the dates of the Notices and all of the royalties accrued before the date of enactment of the Act. Petitioner contended that such royalties were not covered by the terms of the Royalty Adjustment Orders and, further, that respondent was estopped under principles of *res judicata* from contending otherwise. Among the royalties due and unpaid at the agreed rate of 6% prior to January 1, 1943, were certain royalties on cartridges manufactured to fill a particular Navy contract. Respondent claimed that by a supplemental agreement the petitioner had cut in half his royalties arising from this contract, but as to the remaining royalties of 3% on this particular contract respondent asserted no defense except that of the Royalty Adjustment Act and Orders. The petitioner, on October 31, 1944, moved for summary judgment for, *inter alia,* the amount of the 3% royalties as to which the respondent had raised only the defense under the Act and Orders (R. 66). On this motion affidavits were filed by both parties (R. 67a, 69a, 74a) and a hearing was had before two district judges (neither of them being the judge who ultimately presided at the trial) (R. 4a). On December 15, 1944, judgment was ordered to be entered in favor of the petitioner, the court reciting that there was

"no genuine issue as to any material fact that the defendant Federal Laboratories, Inc., is indebted to the plaintiff on account of royalties under the license agreement between them at least to the extent of $10,510.46 for the year 1942 * * * and that Royalty Adjustment Orders W-9 and N-7 allow said amounts to be paid to the plaintiff by said defendant, and that plaintiff is entitled to a judgment as a matter of law for that portion of his claim" (R. 76a). This "order for judgment" was amended on January 23, 1945, in a respect not presently material, pursuant to stipulation of the parties (R. 77a). On the same day judgment was entered pursuant to the order as amended, and on the following day the judgment was satisfied in full and so marked of record (R. 5a). No appeal was taken from this judgment.

The trial judge refused to accord the force of *res judicata* to the order for judgment which had been entered in the case more than two and one-half years before. He concluded that the Royalty Adjustment Orders were broad enough to cover royalties accrued prior to January 1, 1943. Having made this disposition of this non-constitutional issue, he found himself presented with a situation where he would be required to pass upon the constitutionality of the Royalty Adjustment Act and Orders in respect to every part of the case. He decided that the Royalty Adjustment Act was constitutional, and accordingly ordered judgment to be entered for the defendant (R. 123a). This judgment of the District Court was affirmed on appeal by the Court of Appeals, November 9, 1948.

## Questions Presented

1. Do the Royalty Adjustment Act and the Orders made thereunder violate the Fifth Amendment by taking plaintiff's property without just compensation and by depriving plaintiff of property without due process of law?

2. Should the Royalty Adjustment Act be construed retroactively to apply to royalties due before the enactment of the Act?

3. Is the Royalty Adjustment Act constitutional if applied to royalties due before its enactment?

4. Is the Royalty Adjustment Act constitutional if applied to royalties due before the Royalty Adjustment Notices are given?

5. Is the Royalty Adjustment Act constitutional if applied to royalties due before the promulgation of Royalty Adjustment Orders?

6. In a suit brought under the Royalty Adjustment Act in the Court of Claims, could that court award to an aggrieved licensor the just compensation guaranteed by the Fifth Amendment?

7. Do Royalty Adjustment Orders W-9 and N-7 apply to royalties due before January 1, 1943?

8. Is an order for summary judgment in favor of a plaintiff, on which judgment has been entered, paid and satisfied of record and from which no appeal has been taken, *res judicata* in later proceedings in the same case and between the same parties, as to all questions of law expressly or necessarily involved therein, including any question as to the propriety of entering the summary judgment itself?

## Reasons Relied on for the Allowance of the Writ

### I

The Court of Appeals has decided an important question of federal law which has not been, but should be, settled by this Court. In *Coffman* v. *Breeze Corporations*, 323 U. S. 316, and *Coffman* v. *Federal Laboratories*, 323 U. S. 325, the latter an appeal in an earlier aspect of the present case, the question of the constitutionality of the Royalty Adjustment Act and the Royalty Adjustment Orders W-9 and N-7 was argued before the Court but not passed upon for jurisdictional reasons. In *Alma Motor Co.* v. *Timken-Detroit Axle Co.*, 329 U. S. 129, the issue as to the constitutionality of the Act was once more presented to and twice argued before the Court. See order for reargument at 65 S. Ct. 1190. But the cause was remanded to the court below because of its failure to pass upon a preliminary non-constitutional issue whose decision might obviate consideration of the constitutional question.

This Court, from its previous experience with cases involving the question of the constitutionality of the Royalty Adjustment Act, must appreciate the importance of the questions involved. The constitutional validity of the Royalty Adjustment Act is at last squarely raised in a justiciable controversy in which decision of the constitutional question is unavoidable. Litigation under the Royalty Adjustment Act involves large sums of money and important considerations of constitutional law arising under the just compensation and due process clauses of the Fifth Amendment. These constitutional considerations are set forth in concise form in the brief attached to this petition.

II

The Court of Appeals for the Third Circuit decided that the Royalty Adjustment Act was constitutionally applied to royalties accrued but unpaid at the time of the giving of notice to the patentee. This decision is in conflict with a decision on the same matter rendered five days earlier, on October 4, 1948, by the Court of Appeals for the Sixth Circuit in *Cold Metal Process Co.* v. *McLouth Steel Corp.*, 79 U. S. P. Q. 222.

In the *McLouth* case the Court of Appeals for the Sixth Circuit reversed a ruling by the district judge disallowing interest on royalties during the period of operation of a royalty adjustment notice. The royalties had accrued before the date of enactment of the Royalty Adjustment Act and were ultimately found to be due and owing to the Cold Metal Process Company. The McLouth Corporation denied liability for interest accruing on these royalties after August 19, 1943, the date of the royalty adjustment notice, directing it to pay no greater amounts to Cold Metal than those to be determined in a future royalty adjustment order. Chief Judge Hicks, delivering the opinion of the court, said (79 U. S. P. Q. 222, 231):

> "Nor do we see any reason, under the Royalty Adjustment Act, 35 U. S. C., Sec. 89 et seq., for suspending interest on the royalties between the dates indicated. There is nothing in the Act to show that its effect was retroactive, and there is no apparent reason for suspending interest on royalties which by the formula we have indicated were fixed, or became due, prior to the operation of the Act on August 19, 1943."

It has thus been expressly held in the Sixth Circuit, contrary to the decision of the Court of Appeals for the Third Circuit, that the Royalty Adjustment Act is inapplicable to sums which became due prior to the date of notice.

The Third Circuit's decision in this respect is, moreover, probably in conflict with applicable decisions of this Court. Section 1 of the Royalty Adjustment Act states that royalties may be adjusted only "whenever an invention, whether patented or unpatented, *shall be* manufactured, used, sold, or otherwise disposed of for the United States, with license from the owner thereof or anyone having the right to grant licenses thereunder." Section 7 makes the Act applicable to all royalties charged or chargeable to the United States for materials already delivered, "which royalties have not been paid to the licensor prior to the effective date of the notice." These two sections of the Act, when construed together, may properly be interpreted to limit the Act's retrospective effect, if the Act be in any part constitutional, to royalties accruing between the date of enactment of the Act and the date of a royalty adjustment notice. Any other interpretation conflicts with the unshaken theory of decisions of this Court beginning with *United States* v. *Heth*, 3 Cranch 399, 413, and most recently applied in *Claridge Apartments Co.* v. *Commissioner of Internal Revenue*, 323 U. S. 141, in which the Court said, in a unanimous opinion by Mr. Justice Rutledge, at page 164: "Retroactivity, even where permissible, is not favored, except upon the clearest mandate." For an example of how clear such a mandate must be to permit retroactive application of a statute, see *Shwab* v. *Doyle*, 258 U. S. 529, 534.

The retroactive application given to the Royalty Adjustment Act by the Court of Appeals for the Third Circuit is also probably in conflict with applicable decisions such as *Steamship Co.* v. *Joliffe*, 2 Wall. 450, 457-458; *Osborn* v. *Nicholson*, 13 Wall. 654, 662; *Koshkonong* v. *Burton*, 104 U. S. 668; 678-679; *Ettor* v. *City of Tacoma*, 228 U. S. 148, 156; *Forbes Pioneer Boat Line* v. *Board of Commissioners*, 258 U. S. 338, 339; *Danzer & Co.* v. *Gulf & Ship Island R. R. Co.*, 268 U. S. 633, 637; *Coombes* v. *Getz*, 285 U. S. 434; *Railroad Retirement Board* v. *Alton R. R. Co.*, 295 U. S. 330, 349-350, 354. These cases hold it to be a violation of the due process clause "to take away from a private party the right to recover the amount that is due when the act is passed": *Graham* v. *Goodcell*, 282 U. S. 409, 426.

A Court of Appeals decision which unnecessarily interprets the Royalty Adjustment Act in such a way as to give it a retroactive effect conflicts also with this Court's principle of adopting that construction of a statute which will avoid constitutional doubts: *United States* v. *Congress of Industrial Organizations*, 335 U. S. 106, 120-121, and cases cited in note 26, and concurring opinion at page 129.

## III

The Court of Appeals for the Third Circuit decided that the decision of the District Court could properly be affirmed on the ground that "Until the patentee sees what the Court of Claims is going to give him, we do not see how he is in a position to say that his wings are unconstitutionally clipped". This decision of the Court of Appeals conflicts with applicable decisions of this Court, particularly with the earlier decision in this case: *Coff-*

*man* v. *Federal Laboratories*, 323 U. S. 325. This Court held that petitioner could not obtain an injunction against compliance with the Royalty Adjustment Act because an adequate remedy at law existed. But it noted that, though the prayer for an injunction had properly been denied, the answer subsequently filed by the defendant had set up the royalty adjustment orders as a defense. A unanimous Court, in the opinion by Chief Justice Stone at 323 U. S. 325, 327, said:

> "Since the allegations were stricken, appellee Federal has answered setting up as a separate defense the royalty adjustment orders prohibiting payment of the royalties to appellant [Coffman]. *Upon that issue* appellant will be *free to contest the constitutional validity* of the orders." (Emphasis added.)

Thus in this very case the Court has specifically said that petitioner is entitled, under the circumstances now present, to a decision on the constitutional validity of the orders. Similarly, in the companion case, *Coffman* v. *Breeze Corporations, Inc.*, 323 U. S. 316, the Court said, at p. 322, that when a licensee has set up the Royalty Adjustment Act as a defense, constitutional validity "would be a justiciable issue in the case, since upon its adjudication would depend appellant's (the present petitioner's) right of recovery." Similar applicable rulings are to be found in *Alma Motor Co.* v. *Timken-Detroit Axle Co.*, 329 U. S. 129, at 138, and *Aircraft & Diesel Equipment Corp.* v. *Hirsch*, 331 U. S. 752, at 754-755, 775-776, 777 (footnote 41).

The Court of Appeals' decision further conflicts with a long line of applicable decisions of this Court which hold that suits against the Government can succeed only subject to the restrictions and limitations imposed by the Act of Congress which permits the particular remedy in

derogation of sovereign immunity. Under such cases as *DeGroot* v. *United States*, 5 Wall. 419, 431-433; *Schillinger* v. *United States*, 155 U. S. 163, 166, 168; *Price* v. *United States*, 174 U. S. 373, 375-376; *Reid* v. *United States*, 211 U. S. 529, 538; *United States* v. *Babcock*, 250 U. S. 328, 331; and *United States* v. *Sherwood*, 312 U. S. 584, 586, it is clear that if the petitioner were to sue in the Court of Claims under the Royalty Adjustment Act, that court could grant him not just compensation for the royalties taken but only "fair and just compensation • • • taking into account the conditions of war-time production" and would be required to deny to the petitioner the benefit of his licensee's contractual obligation not to contest validity. The cases, and in particular *Great Falls Mfg. Co.* v. *Attorney General*, 124 U. S. 581, 600, further make clear that the petitioner, by the very act of suing in the Court of Claims under the Royalty Adjustment Act, would voluntarily accept the provisions of the Act and the offer of the Government to have the amount of compensation fixed by that court, and would thus lose his right to contest the Act's constitutionality.

Before the passage of the Royalty Adjustment Act the petitioner had no claim against the United States. Since the passage of the Act, if it is constitutional, he has no claim against his licensee on his contract for the royalties reserved. He has no right left, if the Act is constitutional, except that given to him by the Act. The right to sue in the Court of Claims given by the Act is limited. If the limitation is unconstitutional, still he cannot sue the sovereign for a greater amount than that for which he is permitted to sue by the Act. If the Act is unconstitutional in limiting the compensation payable to him, the Court of Claims nevertheless cannot give him any greater compensation for that which is taken from him. His only right to sue the United States is derived from the Act, and the

recovery allowed in such a suit can rise no higher than its source. Since that recovery does not reach the constitutional requirement of just compensation, if the Court of Claims is free to hold and should hold that his property was not constitutionally taken from him, the best that it could do for him would be to remit him to the very action against his licensee in which he is now petitioning for a writ of certiorari. And if he had voluntarily sued in the Court of Claims without a decision as to the Act's unconstitutionality, he would have accepted the benefit of the Act *cum onere*.

## IV

Basing its view on an interpretation of Rules of Civil Procedure 54 and 56, the Court of Appeals decided that the summary judgment obtained by the petitioner in this case did not at the time of its entry become final for the purposes of appeal and did not have the effect of a final judgment, and therefore was not to be given the force of *res judicata* as to its interpretation that the royalty adjustment orders were not retroactive. This decision by the Court of Appeals for the Third Circuit is in conflict with decisions of other Courts of Appeals on the same matter, and presents an important question as to the interpretation of the Federal Rules which has not been, but should be, settled by this Court.

In *Biggins* v. *Oltmer Iron Works*, 154 F. (2d) 214, the Court of Appeals for the Seventh Circuit, on March 1, 1946, denied a motion to dismiss a defendant's appeal from a partial summary judgment which had been entered as to two out of five items of a claim for compensation for services rendered as a sales representative during a period of sixteen months. In that case, as in the case at bar, the court was of the opinion that Rules 54 and 56 did not

permit the entry of such a summary judgment. In the case at bar the Court of Appeals concluded that the judgment was not final, but in the case in the Seventh Circuit the court decided that a judgment rendered in contravention of, and not in conformity with, the Rules should be held final and appealable. 154 F. (2d) 214, 217-218. In the latter case execution had not been effected under the summary judgment, while in the case at bar payment of the judgment had been obtained and satisfaction noted of record.

A similar conflict exists between the Third Circuit's decision and that of the Court of Appeals for the Tenth Circuit in *Kasishke* v. *Baker*, 144 F. (2d) 384, which was decided in 1944 and in which certiorari was denied by this Court at 325 U. S. 856. In that case the court denied a motion to dismiss an appeal from a partial judgment decreeing that the plaintiff should recover a ten per cent interest in all properties acquired by the defendants during a certain period, but deferring to a later date the entry of "an order for an accounting for the purpose of determining the amount of money judgment to be entered for plaintiff, if any, and for the purpose of ascertaining what additional properties, if any, are covered by such ten per cent interest" (144 F. (2d) 384, 385).

The decision of the Court of Appeals in the case at bar was based on its conclusion that in the circumstances "a judgment could not be entered under Rule 54(b)". But since the summary judgment actually *was* entered, and since no appeal therefrom was taken, even if the District Court had entered its final judgment on the rest of the case, the decision is probably in conflict with decisions of this Court in which it has been established that a judgment is *res judicata* not only as to ordinary issues of fact and of law but also as to the procedural and jurisdictional issues of law necessarily involved therein, regardless of whether the court which entered the judgment

properly interpreted the law: *Baldwin* v. *Iowa State Traveling Men's Assn.*, 283 U. S. 522, 524-526; *American Surety Co.* v. *Baldwin*, 287 U. S. 156, 166-167; *Stoll* v. *Gottlieb*, 305 U. S. 165, 171-177; *Chicot County Drainage District* v. *Baxter State Bank*, 308 U. S. 371, 376-378; *Angel* v. *Bullington*, 330 U. S. 183, 192-193; *Sherrer* v. *Sherrer*, 334 U. S. 343, 349-350.

Whether a summary judgment should have any different effect as *res judicata* in the case in which it was entered than would a judgment in an independent suit between the same parties is an important question of federal law which has not been squarely ruled on by this Court but should be settled by it. Since there is no controlling difference of quality or dignity between a summary judgment which is both payable and paid and the final judgment in a suit, the Court of Appeals' decision is probably in conflict with decisions of this Court which give a judgment the force of *res judicata* as to issues of law involved: *Tioga R. R.* v. *Blossburg and Corning R. R.*, 20 Wall. 137, 142-143; *American Express Co.* v. *Mullins*, 212 U. S. 311, 314; *United States* v. *Moser*, 266 U. S. 236, 240-241; *Fishgold* v. *Sullivan Drydock & Repair Corp.*, 328 U. S. 275, 282-283.

WHEREFORE, the petitioner prays that a writ of certiorari issue to review the judgment of the Court of Appeals for the Third Circuit, that the said judgment be reversed, and that such other and further relief be granted as may seem proper.

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JAMES D. CARPENTER, JR.,
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December 23, 1948.

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## BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

There are set forth in the foregoing petition and incorporated at this point by reference statements as to the opinions of the courts below (p. 2), the grounds upon which the jurisdiction of this Court is invoked (p. 2), the statute involved (p. 3), and the material facts.

## ARGUMENT

**1. The Court of Appeals, in holding that the Royalty Adjustment Act does not violate the just compensation and due process clauses of the Fifth Amendment, has decided incorrectly an important question of federal law which should be settled by this Court.**

In its opinion the Court of Appeals for the Third Circuit took the position that the United States, under the Royalty Adjustment Act, could constitutionally appropriate a licensor's rights and give him in exchange only such compensation as the Court of Claims might award him, "taking into account the conditions of wartime production"; recovery in the Court of Claims was thus to be reduced in the light of increased wartime requirements and might further be reduced to absolutely nothing if the Government could successfully persuade that court of the invalidity of the patent, a defense which the petitioner's licensee was contractually estopped from interposing. It is submitted that in reaching its conclusion the Court of Appeals failed properly to apply the due process clause and also the uncompromising requirements of the just compensation clause of the Fifth Amendment. This important decision as to the construction and application of the Constitution of the United States should be reviewed and reversed by this Court.

The decision of the Court of Appeals recognizes that the effect of the Royalty Adjustment Act is to take private property for public use. What is the property taken? The Court of Appeals seeks to analogize the Royalty Adjustment Act to the Act of 1910, 36 Stat. 851, as

amended in 1918, 40 Stat. 705, 35 U. S. C. §68, which permitted unlicensed manufacture of patented articles for the United States but gave the patentee a right to recover reasonable and entire compensation, without diminution or qualification of any kind, in the Court of Claims. The Court of Appeals says that the fact that the Royalty Adjustment Act is applicable to licensed inventions (patented or unpatented) does not change the picture. We submit that the picture *is* changed, and that, whereas the Act of 1910, as amended, was designed to give just compensation, the Royalty Adjustment Act gives something less than just compensation.

Before the enactment of the Royalty Adjustment Act the petitioner was entitled to royalties from the respondent on a fixed scale. The Act purports to take away petitioner's right to recover part or all of these royalties from respondent (Section 1) and to have them covered into the Treasury of the United States (Section 4). In return the Act allows the petitioner to get back a designedly smaller amount than that to which he is entitled by his contract (Section 2). Such was not the purpose of the Act of 1910, as amended, *supra*. In *Richmond Screw Anchor Co.* v. *United States*, 275 U. S. 331, 345-346, it was made abundantly clear that the latter Act was constitutional only because it gave to a patentee the exact monetary equivalent of what he was entitled to before the enactment of the Act, including the valuable right to assign to a third party his claim for money. The Royalty Adjustment Act is by the same test unconstitutional, because it deprives petitioner of the full and perfect equivalent in money of that which was taken from him.

Under the Royalty Adjustment Act the Government attempts to place itself not in the position of a compulsory licensee under petitioner's patent but in the shoes

of the petitioner himself as the respondent's licensor. If the Government were making itself a licensee, the Act could not, as it purports to do, cover into its own treasury royalties under the royalty agreement which were due and unpaid at the time when a royalty adjustment notice was issued: for the use of the devices sold before the royalty adjustment notice was issued no license was needed, because they had already passed beyond the monopoly of the patent. *Adams* v. *Burke*, 17 Wall. 453, 456; *United States* v. *Univis Lens Co.*, 316 U. S. 241, 250; *United States* v. *Masonite Corp.*, 316 U. S. 265, 277-278. The Royalty Adjustment Act unequivocally seeks to put the United States in the position of the licensor at the royalty-receiving end of the subsisting license agreement, and then, after taking the royalties under that agreement, seeks to give the licensor something less than that which it has taken.

When the Act attempts to take money by eminent domain, solely for the purpose of revenue to the Government, it violates the due process clause of the Fifth Amendment. The authorities are clear to the effect that money and rights to money cannot be taken under eminent domain except in a case of extreme peril which did not here exist. *Cooley, Constitutional Limitations*, 8th ed., Vol. 2, pp. 1113, 1118 note; *Buckingham* v. *Smith*, 10 Ohio 288, 296-297 (1840); *People* v. *Mayor, &c. of Brooklyn*, 4 N. Y. 419, 424-425 (1851) (cited with approval in *Houck* v. *Little River Drainage District*, 239 U. S. 254, 265); *Burnett* v. *Mayor, etc. of the City of Sacramento*, 12 Cal. 76, 83 (1859); *Emery* v. *San Francisco Gas Co.*, 28 Cal. 345, 350 (1865); *Hammett* v. *Philadelphia*, 65 Pa. 146, 152-153 (1870); *Cary Library* v. *Bliss*, 151 Mass. 364, 379 (1890; *cf. Mitchell* v. *Harmony*, 13 How. 115, 134 (1851).

Even if the attempt were made to justify the Act as an exercise of the taxing power, despite the fact that it originated not in the House of Representatives but in the Senate (Congressional Record, Vol. 88, pp. 8215, 8546, 8662, 8703; *cf.* Constitution, Art. I, Sec. 7), the due process clause would nonetheless be violated, since the alleged "tax" would be so arbitrary and capricious as to amount to confiscation. *Nichols* v. *Coolidge*, 274 U. S. 531; *Blodgett* v. *Holden*, 275 U. S. 142; *Untermyer* v. *Anderson*, 276 U. S. 440; *Heiner* v. *Donnan*, 285 U. S. 312. See also *Chicago, etc., R. R. Co.* v. *Chicago*, 166 U. S. 226, 241, 246; *Barclay & Co.* v. *Edwards*, 267 U. S. 442, 450; *Schlesinger* v. *Wisconsin*, 270 U. S. 230, 239-240; *Helvering* v. *City Bank Farmers Trust Co.*, 296 U. S. 85, 92.

A fuller exposition of our argument as to the unconstitutionality of taking money by eminent domain and as to the impropriety of considering the Royalty Adjustment Act as a taxing act is to be found in pp. 33-46 of our brief as *amici curiae* filed at the first argument, at No. 806 October Term, 1944, of *Alma Motor Co.* v. *Timken-Detroit Axle Co.*, 329 U. S. 129. Why the Royalty Adjustment Act violates the due process clause insofar as it is retroactively applied is discussed in the second section of this brief.

The Royalty Adjustment Act not only violates the due process clause of the Fifth Amendment; it also violates the just compensation clause of that amendment, because it tenders in return for the money and right to money which it takes, a right to recover a lesser amount of money. When the United States takes a contract right to royalties by eminent domain, it must pay as just compensation "the sum which * * * probably could have been obtained for the assignment of the contract": *Brooks-Scanlon Corp.* v. *United States*, 265 U. S. 106, 123-124. In

the leading case under the just compensation clause, *Monongahela Navigation Co.* v. *United States*, 148 U. S. 312, Mr. Justice Brewer, delivering the opinion of the Court, said (pp. 325-326):

> "The language used in the Fifth Amendment in respect to this matter is happily chosen. The entire amendment is a series of negations, denials of right or power in the government, the last, the one in point here, being, 'Nor shall private property be taken for public use without just compensation.' The noun 'compensation', standing by itself, carries the idea of an equivalent. Thus we speak of damages by way of compensation, or compensatory damages, as distinguished from punitive or exemplary damages, the former being the equivalent for the injury done, and the latter imposed by way of punishment. So that if the adjective 'just' had been omitted, and the provision was simply that property should not be taken without compensation, the natural import of the language would be that the compensation should be the equivalent of the property. And this is made emphatic by the adjective 'just'. There can, in view of the combination of those two words, be no doubt that the compensation must be a full and perfect equivalent for the property taken."

What is the "full and perfect equivalent" of the plaintiff's moneys due and contract rights in the case at bar? It is nothing less than the monetary value of his contract. Because the Royalty Adjustment Act seeks to give him less than this "full and perfect equivalent," it is unconstitutional as a denial of just compensation.

The *Monongahela Navigation Co.* case is just one of a long line of cases to a like effect. See, *e.g.*, *United States* v. *Chandler-Dunbar Co.*, 229 U. S. 53; *United States* v. *Rogers*, 255 U. S. 163; *Seaboard Air Line Ry.*

*Co.* v. *United States,* 261 U. S. 299, 304; *Brooks-Scanlon Corp.* v. *United States,* 265 U. S. 106, 121, 123-124, 125-126; *United States* v. *New River Collieries Co.,* 262 U. S. 341; *Davis* v. *Newton Coal Co.,* 267 U. S. 292; *Liggett & Myers Tobacco Co.* v. *United States,* 274 U. S. 215; *Phelps* v. *United States,* 274 U. S. 341; *Richmond Screw Anchor Co.* v. *United States,* 275 U. S. 331; *Waite* v. *United States,* 282 U. S. 508; *Russian Volunteer Fleet* v. *United States,* 282 U. S. 481; *Jacobs* v. *United States,* 290 U. S. 13, 16-17; *Olson* v. *United States,* 292 U. S. 246; *Great Northern Ry. Co.* v. *Weeks,* 297 U. S. 135; *Baltimore & Ohio R. R. Co.* v. *United States,* 298 U. S. 349, 365; *United States* v. *Klamath & Moadoc Tribes,* 304 U. S. 119; *United States* v. *Miller,* 317 U. S. 369, 373-374; *United States* v. *General Motors Corp.,* 323 U. S. 373, 377-379.

The cases cited show conclusively that when there is a taking by the Government, the just compensation to which the owner is entitled cannot constitutionally be "adjusted", *i.e.,* taken away in whole or in part. It is respectfully submitted that contract rights taken for public use must be compensated for by their full and perfect equivalent in money, and that no power of the Government can override this clear requirement of the Fifth Amendment. All the other powers of Congress, including the war power, are subject to the restrictions of this Amendment. *Monongahela Navigation Co.* v. *United States,* 148 U. S. 312, 336; *United States* v. *Lynah,* 188 U. S. 445, 465; *United States* v. *Cress,* 243 U. S. 316, 320. The Renegotiation Cases may be distinguished from the case at bar, which the Court of Appeals itself admits involves a taking, because the Renegotiation Act involved no taking of private property for public use. *Lichter* v. *United States,* 334 U. S. 742,

787-788. The opinions in a case, *United States* v. *John J. Felin & Co.*, 334 U. S. 624, decided the same day as the Renegotiation Cases persuasively show that the Government cannot take private property for public use without paying for it the full and perfect equivalent in money, preferably measured by the market price of what is taken (see pp. 629-630, 644-646, 651-652). When money or the right to take money is taken, its full and just equivalent, its "market price," is an equivalent amount of money.

In our brief as *amici curiae* in the *Alma Motor* case, *supra*, at No. 806 October Term, 1944, we have set forth at greater length (pp. 4-32) our argument as to why the Court of Appeals, both in that case and in this, has ignored the requirements of the Fifth Amendment. Its decision should be reversed.

**2. The decision of the Court of Appeals, in holding that the Royalty Adjustment Act should be retroactively applied, is in conflict with a decision of the Court of Appeals for the Sixth Circuit and is erroneous.**

The Court of Appeals for the Third Circuit unqualifiedly sustained "the constitutionality of applying the Act to royalties accrued but unpaid at the time of giving of notice to the patentee." As has already been explained in the foregoing petition for certiorari (p. 12), this conflicts with the view of the Court of Appeals for the Sixth Circuit in *Cold Metal Process Co.* v. *McLouth Steel Corp.*, 79 U. S. P. Q. 222, 231, where it was said that "There is nothing in the Act to show that its effect was retroactive" so as to affect royalties accrued prior to the date of a royalty adjustment notice. The con-

flict between the circuits has been sufficiently demonstrated in the petition for certiorari. It is submitted that the view taken in the Sixth Circuit is correct and that the decision in the case at bar is erroneous.

The language of Section 1 of the Royalty Adjustment Act is clearly prospective: The Act permits royalties to be adjusted only "whenever the invention, whether patented or unpatented, *shall be* manufactured, used, sold, or otherwise disposed of for the United States, with license from the owner thereof or anyone having the right to grant licenses thereunder." Though Section 7 purports to make the Act applicable to such royalties as "have not been paid to the licensor prior to the effective date of the notice provided for in Section 1 hereof," its language does not necessarily cover anything other than royalties accruing between the date of enactment of the Act and the date of a royalty adjustment notice. It is only by ignoring the prospective language of the Act that it can be considered to cover royalties accrued before the date of its enactment.

"Words in a statute ought not to have a retrospective operation, unless they are so clear, strong and imperative, that no other meaning can be annexed to them, or unless the intention of the legislature cannot be otherwise satisfied. This rule ought especially to be adhered to, when such a construction will alter the pre-existing situation of parties, or will affect or interfere with their antecedent rights, services and remuneration; which is so obviously improper, that nothing ought to uphold and vindicate the interpretation, but the unequivocal and inflexible import of the terms, and the manifest intention of the legislature." *United States* v. *Heth*, 3 Cranch 399, 413. This rule of statutory construction, so forcefully expressed as early as 1806, has been con-

sistently adhered to ever since in the decisions of this Court: outstanding instances may be found in *Reynolds* v. *McArthur*, 2 Pet. 417, 434; *Murray* v. *Gibson*, 15 How. 421, 423; *Southwestern Coal Co.* v. *McBride*, 185 U. S. 499, 503-504; *Shwab* v. *Doyle*, 258 U. S. 529, 534; and *Claridge Apartments Co.* v. *Commissioner of Internal Revenue*, 323 U. S. 141, 164.

The opinion of the Court of Appeals seeks to justify the retroactive application of the Royalty Adjustment Act by reference to *Lichter* v. *United States*, 334 U. S. 742. The language of the Renegotiation Acts, however, is entirely different from the language of the Royalty Adjustment Act. In the Royalty Adjustment Act the language, as we have seen (Section 7), makes the Act applicable to royalties which "have not been paid to the licensor prior to the effective date of the notice provided for in Section 1," and Section 1 uses language clearly prospective. The renegotiation provisions are clearly retrospective. They are set forth in the appendix to the opinion in the *Lichter* case. Section 403(c) of the Act of April 28, 1942 (334 U. S. 794), is made "applicable to all contracts and subcontracts hereafter made and to all contracts and subcontracts heretofore made," that is, made before the enactment of the Act. Section 801 of the Revenue Act of 1942, amending this provision, contains exactly the same language (334 U. S. 797-798). Section 701(b) of the Revenue Act of 1943, further amending the renegotiation provisions, is made "applicable to all contracts and subcontracts, to the extent of amounts received or accrued thereunder in any fiscal year ending after June 30, 1943, whether such contracts or subcontracts were made on, prior to, or after the date of the enactment of the Revenue Act of 1943" (26 U. S. C. A., Internal Revenue Acts Beginning 1940, p. 499).

If the Royalty Adjustment Act had been applied to royalties which had accrued before the date of its enactment and to royalties accrued before the dates of royalty adjustment notices and royalty adjustment orders, we submit that it would be unconstitutional under a long line of cases which hold that a statute violates the due process clause if it divests vested property rights, acting directly to that end and not as an incident of some broader general policy. Several of these cases are cited in the foregoing petition for certiorari at p. 14. We may add that though taxation, which is imposed in return for protection afforded by the sovereign, may frequently be retroactive, even in this field due process has been held to be violated by taxes retroactively imposed on transactions as to which taxpayers could not foresee that by engaging in them they would become liable for tax. *Nichols* v. *Coolidge*, 274 U. S. 531; *Blodgett* v. *Holden*, 275 U. S. 142; *Untermyer* v. *Anderson*, 276 U. S. 440; *Coolidge* v. *Long*, 282 U. S. 582. See also *Levy* v. *Wardell*, 258 U. S. 542, 544-545; *Helvering* v. *Helmholz*, 296 U. S. 93, 97-98; *White* v. *Poor*, 296 U. S. 98, 102.

If it were possible under sound principles of statutory construction to give a retroactive interpretation to the Royalty Adjustment Act, and if it were not clear that such an application of the Act would violate the due process clause of the Fifth Amendment, the Court should adopt that reasonable construction of the Act which would avoid constitutional doubts. "The obligation rests also upon this Court in construing congressional enactments to take care to interpret them so as to avoid a danger of unconstitutionality": *United States* v. *Congress of Industrial Organizations*, 335 U. S. 106, 120-121; and see cases cited in Note 20, and concurring opinion at p. 129.

Fuller exposition of the propositions of law which have been set forth in this section of this brief is to be found at pp. 8-38 of the supplemental brief of *amici curiae* filed at No. 11 October Term, 1946, on the reargument of *Alma Motor Co.* v. *Timken-Detroit Axle Co.*, 329 U. S. 129. On the basis of the arguments made there and here it is submitted that the decision of the Court of Appeals in this case should be reversed.

**3. The decision of the Court of Appeals that the petitioner should not be permitted to question the constitutionality of the Royalty Adjustment Act until he has sued the United States in the Court of Claims conflicts with applicable decisions of this Court and should be reversed.**

The Court of Appeals said in its opinion

> "• • • we have no way of knowing ahead of time what disposition the Court of Claims will make in Coffman's case or any other. We can conceive a case where conditions of wartime production might, in fairness, require adherence to the original license terms. Possibly a case may exist where conditions of wartime production might call for more than the price stipulated in the license agreement. Until the patentee sees what the Court of Claims is going to give him, we do not see how he is in a position to say that his wings are unconstitutionally clipped."

On this basis it was said that the decision of the District Court might properly be affirmed. It is submitted that a consideration of the Royalty Adjustment Act itself and of controlling decisions in this Court demonstrate this view to be erroneous and reversible.

The purpose of the Royalty Adjustment Act is to reduce the royalties to be paid under petitioner's contract and to require that the amount by which they are reduced be paid to the United States. In a suit in the Court of Claims, that court is required by the Act, in fixing the amount of royalties, to take into account the conditions of wartime production, and also to consider, if such a defense be interposed, the invalidity of the licensor's patent (Section 2). These limits imposed by the Act are clearly designed to prevent collection of the full contract royalties. Congress did not intend the Act to be a nullity. If the Court of Claims could ignore the special limitations on recovery which Congress attempted to impose, it should give the petitioner, as we have shown, simply the amount of royalties which the contract called for: the amount of royalty adjustment would be paid to the United States by the licensee, and the same amount of money would be recovered by the licensor in the Court of Claims. Such unnecessary circuity could not have been intended by any reasonable legislature. The obvious purpose and effect of the Act, if constitutional, is to give a licensor far less than that to which his license agreement entitles him. It is for this reason that we insist that the Royalty Adjustment Act is unconstitutional.

If the Act should be stricken down as unconstitutional, the petitioner would have no standing to sue the United States in the Court of Claims. His sole means of recovering his contract royalties would necessarily be by a suit against his licensor; the United States would not be in the picture at all. Recognizing this situation, this Court in this very case has already ruled that petitioner may contest the constitutional validity of the royalty adjustment orders: *Coffman* v. *Federal Laboratories*, 323 U. S. 325, 327. When a licensor sues his licensee, and the

latter interposes the Royalty Adjustment Act as a defense, the licensor may demur to the validity of that defense. If the Act be constitutional and applicable, such demurrer could not be sustained; but if the Act be unconstitutional, the licensor is naturally entitled to recover as though the Act had never been enacted. When the provisions of the Royalty Adjustment Act are set up as a defense, "the constitutional validity of these provisions of the Act would be a justiciable issue in the case, since upon its adjudication would depend appellant's (the licensor's) right of recovery": *Coffman* v. *Breeze Corporations*, 323 U. S. 316, 322. See also *Alma Motor Co.* v. *Timken-Detroit Axle Co.*, 329 U. S. 129, 138, and *Aircraft & Diesel Equipment Corp.* v. *Hirsch*, 331 U. S. 752, 754-755, 775-776, 777 (footnote 41).

The decision of the Court of Appeals is based on an assumption that if the petitioner sued in the Court of Claims, the latter court would be free to ignore the limitations on recovery specified in Section 2 of the Royalty Adjustment Act. But it clearly appears from a long line of decisions in this Court that the Court of Claims could allow recovery to the petitioner only subject to the restrictions and limitations imposed by the Act of Congress permitting a remedy against the sovereign. "The United States cannot be sued in their courts without their consent, and in granting such consent Congress has an absolute discretion to specify the cases and contingencies in which the liability of the Government is submitted to the courts for judicial determination. Beyond the letter of such consent, the courts may not go, no matter how beneficial they may deem or in fact might be their possession of a larger jurisdiction over the liabilities of the Government." *Schillinger* v. *United States*, 155 U. S. 163, 166. When Congress in a statute creates a right against the

United States and provides a special remedy, that remedy is exclusive and can be granted only within the specific limits prescribed by the statute. *DeGroot* v. *United States,* 5 Wall. 419, 431-433; *Nichols* v. *United States,* 7 Wall. 122, 126; *Elgee Cotton Cases,* 22 Wall. 180, 185-186; *McElrath* v. *United States,* 102 U. S. 426, 440; *United States* v. *Lee,* 106 U. S. 196, 205; *Arnson* v. *Murphy,* 109 U. S. 238, 243; *Great Falls Mfg. Co.* v. *Attorney General,* 124 U. S. 581, 598-600; *Price* v. *United States,* 174 U. S. 373, 375-376; *Reid* v. *United States,* 211 U. S. 529, 538; *Juragua Iron Co.* v. *United States,* 212 U. S. 297, 302-303, 309; *United States* v. *Babcock,* 250 U. S. 328, 331; *Banco Mexicano de Commercio e Industria* v. *Deutsche Bank,* 263 U. S. 591, 602-603; *Davis* v. *Donovan,* 265 U. S. 257, 263; *Nassau Smelting & Refining Works* v. *United States,* 266 U. S. 101, 107-108; *Luckenbach S. S. Co.* v. *United States,* 272 U. S. 533, 536; *Munro* v. *United States,* 303 U. S. 36, 41; *United States* v. *Sherwood,* 312 U. S. 584, 586.

As we have further shown in the petition for certiorari, if petitioner were to pursue the statutory remedy against the United States which is tendered to him by the Royalty Adjustment Act, he would bar himself from contesting the constitutionality of the Act either in the Court of Claims or anywhere else, since he could then be charged with having chosen "to accept the offer of the Government to have the amount of compensation fixed by the Court of Claims, according to its peculiar modes of procedure" and subject to the limitations placed on the Court of Claims by the Act: *Great Falls Mfg. Co.* v. *Attorney General,* 124 U. S. 581, 600; *South Carolina* v. *Gaillard,* 101 U. S. 433, 436; *Electric Co.* v. *Dow,* 166 U. S. 489, 492; *Wall* v. *Parrot Silver & Copper Co.,* 244 U. S. 407, 411-412; *Hurley* v. *Comm'n of Fisheries,* 257 U. S. 223, 225.

Since this Court, on the first appeal in this case, unequivocally held that the petitioner had chosen the proper forum in which to contest the constitutionality of the Royalty Adjustment Act, and since this ruling is in accord with a long line of undisputed precedents, the Third Circuit's decision to the contrary is erroneous. It should be reversed.

**4. The decision of the Court of Appeals that the summary judgment obtained by petitioner was not final and cannot be given the force of *res judicata* conflicts with decisions in other circuits, is probably in conflict with decisions of this Court and presents an important question which should be settled by this Court.**

Except in the case at bar, neither this Court nor any other appears ever to have been presented with the question whether a partial summary judgment, which has been paid and satisfied of record, can have the effect of collateral estoppel as to a question of law involved in the final judgment in the same case. The summary judgment*

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*ORDER FOR JUDGMENT

And now, to wit, December 15, 1944, the plaintiff's motion for summary judgment for a portion of his claim having regularly come on for argument, after hearing all parties and due consideration, it appearing from the pleadings, admissions and affidavits on file that there is no genuine issue as to any material fact that the defendant Federal Laboratories, Inc., is indebted to the plaintiff on account of royalties under the license agreement between them at least to the extent of $10,510.46 for the year 1942 and at least $28,236.10 for the year 1943, and that **Royalty Adjustment Orders W-9 and N-7 allow said amounts to be paid to the plaintiff by said defendant,** and that plaintiff is entitled to a judgment as a matter of law for that portion of his claim, it is hereby ORDERED, ADJUDGED AND DECREED that judgment be and it hereby is entered in favor of the plaintiff and against the defendant Federal Laboratories, Inc. for $38,746.56, with interest on the sum of $10,510.46 from December 31, 1942, and on the sum of $28,236.10 from December 31, 1943, without prejudice to the plaintiff's right to proceed for the balance of his claim.

By the Court
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(Emphasis added.)

(Ap. Ap. 76a)

in the case at bar gave plaintiff judgment for certain royalties earned in 1941 and 1942, the effect of which was to determine that the Act and royalty orders were not retroactive. The Third Circuit held that this summary judgment was not final, and therefore denied it the force of *res judicata*. This decision as to its finality is in conflict with decisions in other Circuits. It also conflicts, we submit, with applicable decisions of this Court. When properly given effect as a final judgment, the summary judgment's interpretation of the royalty adjustment orders requires under the controlling precedents in this Court a reversal of the decision of the Court of Appeals for the Third Circuit.

The Court of Appeals considered that Rules of Civil Procedure 54 and 56 required a holding that the summary judgment was not final. This view has been shown, at p. 17, of the foregoing petition for certiorari, to run counter to the opinions of other Courts of Appeals, particularly that in *Biggins* v. *Oltmer Iron Works*, 154 F. (2d) 214, 217-218 (C. A. 7, 1946).

The District Court, when it entered the summary judgment, necessarily decided that under the law, including the Rules of Civil Procedure, it had jurisdiction to enter a partial summary judgment which was final and appealable. If the District Court's decision as to its jurisdiction was wrong, the respondent should have appealed from it. The respondent did not appeal, but, rather, by paying the judgment, acquiesced in the District Court's disposition of this jurisdictional question. The judgment became *res judicata* not only as to issues involved on the merits but also as to the issue of law involved in its jurisdictional basis. The Court of Appeals, in passing on the case, should not therefore have inquired into what the District Court *ought to have done* but only

into what the District Court *did do*, since the finality of the summary judgment below was already established.

The Court of Appeals' failure to accord to the summary judgment the force of *res judicata* on the issue of law involved in its jurisdictional basis conflicts with carefully reasoned decisions of this Court. In *Chicot County Drainage District* v. *Baxter State Bank*, 308 U. S. 371, the petitioner had pleaded a prior decree as *res judicata*, but the respondents contended that such effect could not be given to the decree because it had been entered under a jurisdictional statute which was later declared to be invalid. The respondents had not raised the jurisdictional point as to the validity of the statute in the earlier proceeding. The respondents' contention was disposed of in the opinion of the Court by Mr. Chief Justice Hughes, at pp. 377-378, in the following language:

> "There can be no doubt that if the question of the constitutionality of the statute had actually been raised and decided by the District Court in the proceeding to effect a plan of debt readjustment in accordance with the statute, that determination would have been final save as it was open to direct review upon appeal. * * *
>
> "The remaining question is simply whether respondents, having failed to raise the question in the proceeding to which they were parties and in which they could have raised it and had it finally determined, were privileged to remain quiet and raise it in a subsequent suit. Such a view is contrary to the well-settled principle that *res judicata* may be pleaded as a bar, not only as respects matters actually presented to sustain or defeat the right asserted in the earlier proceeding, 'but also as respects any other available matter which might have been presented to that end'."

Similar views as to the impropriety of subsequent reopening of jurisdictional issues are to be found in *Baldwin* v. *Iowa State Traveling Men's Assn.*, 283 U. S. 522, 524-526; *American Surety Co.* v. *Baldwin*, 287 U. S. 156, 166-167; *Stoll* v. *Gottlieb*, 305 U. S. 165, 171-177; *Angel* v. *Bullington*, 330 U. S. 183, 192-193; and *Sherrer* v. *Sherrer*, 334 U. S. 343, 349-350.

In the case at bar the District Court entered a partial summary judgment, which both the court and the parties considered as final under the Rules of Civil Procedure. The Court of Appeals now takes a different view as to the requirements of the Rules. But even if the Rules of Civil Procedure should now be declared totally void, the summary judgment which was entered thereunder would still stand as a final and binding adjudication of the issues involved therein. It was made by the court in the form of a final judgment, no appeal was taken, and as a matter of fact it was paid and satisfied of record. It is too late now for any party to raise the jurisdictional issue as to the propriety of its entry, an issue which has irrevocably passed *in rem judicatum*.

The finality of the summary judgment being thus established, there is no reason why issues on the merits involved in that judgment should not be finally settled thereby. A partial summary judgment of a District Court, when it is final, unappealed from and satisfied, disposes of issues between the parties no less completely or unequivocally than would a disposition of the issues under a final judgment in this Court.

The doctrine of *res judicata* would seem, if anything, to be *a fortiori* applicable to a summary judgment such as that in the case at bar. The parties are unquestionably the same. An examination of the complaint and answer (R. 12a, 46a, 58a), of the papers filed in particular con-

nection with the summary judgment itself, including affidavits of the parties (R. 66a-77a), and of the respondent's clear admissions on the record (R. 86a, 107a, 109a) shows that the question raised in the summary judgment proceeding was whether any valid defense had been interposed to the petitioner's claim for royalties arising out of certain Navy contracts: as to half of these royalties, issues of fact were involved, but as to the other half, the only defense interposed was the language of the royalty adjustment orders. The interpretation of these orders being simply a question of law, the court entered judgment for the petitioner after resolving the question of law in petitioner's favor. Petitioner contends that the decision of the legal question, as to whether the orders are applicable by their terms to royalties accrued before January 1, 1943, should be given the force of *res judicata* in the disposition of the remainder of the case. The petitioner obtained his summary judgment and payment thereof on the basis of a holding that the royalty adjustment orders were inapplicable to royalties accrued before January 1, 1943. The respondent cannot reopen that legal issue in subsequent proceedings involving the other royalties accrued before that date.

Though the situation might be different where intervening clarification and growth of legal principles make an earlier determination obsolete and potentially discriminatory (*cf. Commissioner of Internal Revenue* v. *Sunnen,* 333 U. S. 591, 599-600), there can be no doubt, under the applicable rulings of this Court, that a determination of an issue of law passed on in arriving at the first judgment must be given the force of *res judicata* in the subsequent proceedings: *Tioga R. R.* v. *Blossburg and Corning R. R.,* 20 Wall. 137, 142-143; *American Express Co.* v. *Mullins,* 212 U. S. 311, 314; *United States* v.

*Moser*, 266 U. S. 236, 240-242; *Fishgold* v. *Sullivan Drydock & Repair Corp.*, 328 U. S. 275, 282-283.

The Court of Appeals has failed to give the summary judgment in the case at bar the effect to which it is entitled, and its judgment in this particular should be reversed.

## Conclusion

Because the Court of Appeals has rendered a decision in conflict with the decisions of other Courts of Appeals, has ~~erroneously~~ decided important questions of federal law which have not been, but should be, settled by this Court, and has decided federal questions in a way probably in conflict with applicable decisions of this Court, the writ of certiorari prayed for in this case should be granted. Because the decision is erroneous, it should be reversed.

Respectfully submitted,

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